

October 23, 1975

MEMORANDUM

SUBJECT: Soviet Harvest Prospects Lower

Widespread use of unripened grain for forage, abandonment of low-yielding acreage, and lower than expected yields in the European USSR have sharply lowered prospects for the 1975 Soviet grain crop. Production will probably be only 155 to 165 million tons, even worse than the poor harvest of 168.2 million tons in 1972. Moscow over the next year will be searching world markets for large quantities of both grain and meat.

With the harvest nearly completed, more than 30 to 40 million acres of the total sown area of 325 million acres probably will not be harvested as mature grain. The loss of pasture and forage crops because of drought apparently led the Soviets to cut a large area of immature grain for green feed or to use the area for grazing livestock. The wide range in estimated production of 155 to 165 million tons reflects uncertainty about yields on this acreage.

Reduced prospects for the crop worsen the already serious situation in both grain and meat. Moscow has so far purchased more than 20 million tons of foreign grain. A crop of 160 million tons, for example, would still leave the USSR more than 30 million tons below requirements for this marketing year, ending June 30, even if the Soviets draw from their grain stocks.

Moscow cannot find this much additional grain in the international market and is taking steps at home to cope with the shortfall. Official data indicate that slaughtering of livestock has begun, with inventories of hogs, sheep, and poultry falling noticeably. Although this action will yield a short-term benefit for the consumer, it will have undesirable consequences.

--Because meat processing capacity and storage are limited and the distribution system is antiquated, substantial waste and spoilage will result.

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--To meet long-term plans, herds will have to be rebuilt next year, jeopardizing 1976-77 consumption goals.

Moscow almost certainly will contract for large amounts of foreign meat next year. Ample supplies will be available from Argentina, Australia, and the EC. Purchases of 1 million tons--double the 1974 level--would cost the Soviets an estimated \$1 billion in foreign exchange and would provide a 7-percent boost to Soviet domestic supplies.

The amount of uncommitted non-US grain that the Soviets can still purchase for delivery by July 1, 1976 is only 3 to 3.33 million tons. This assumes that traditional trade patterns are not altered and current crop production forecasts hold. The extent to which foreign exporters oversell to the Soviets will reduce availability to traditional customers. These customers would seek to make up the shortfall by purchasing US grain.


Of the total available supplies, only about one third, or 1 million tons, is wheat and the remainder, feed grains. The single most important supplier is Argentina, with 1.3 million to 1.4 million tons. The Soviets and Argentines reportedly are negotiating a new grain purchase. Supplies available for shipment by July 1 from other origins are more limited.

By October 1, the Soviets had purchased some 20 million tons of grain--10.4 million tons of US grain and 9.85 million tons from other sources. In future negotiations the USSR will likely find itself competing with East European countries for the same supplies. (CONFIDENTIAL)

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Remarks:

The attached was prepared to be shown to Rick Gilmore of the Senate Multinational Subcommittee. It is the updated Weekly Review piece of 10 October.



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